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World Production and Trade

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Foreign
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Service

Washington, D.C. 20250

Weekly
Roundup

WR 22-86

June 4, 1986

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

GRAIN AND FEED

EC Sells Barley to Saudi Arabia. The European Community's (EC) Commission has authorized the sale of between 300-400,000 tons of intervention barley to Saudi Arabia at approximately \$65 per ton free on board (FOB). Saudi Arabia, the world's largest barley importer, purchased about 5.4 million metric tons of barley in 1984/85 with about 2 million tons from both Australia and the EC, and about 50,000 tons from the United States. In 1985/86, Saudi Arabia is expected to import a record 5.5 million tons of barley.

U.S. Share of Nigerian Wheat Market Declining. The U.S. agricultural attache in Nigeria reports that 1986 wheat import licenses have fallen sharply from a year ago and that the U.S. share of imported wheat has fallen to less than half. The United States has supplied nearly all Nigerian wheat imports in recent years. The decline in wheat import licenses is attributed to limited foreign exchange and the late issuance of 1986 licenses. Licenses were issued in March of this year as compared to January in most years. Sharply lower imports of U.S. wheat are probably a result of more competitively priced Argentine and Canadian wheat, and the termination of U.S. Export/Import Bank credit guarantees. Nigerian wheat imports average 1.5 million tons per year and are forecast at 1.6 million tons in 1986/87 (July-June).

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SALLY KLUSARITZ, Editor, Tel. (202) 447-3448. Additional copies may be obtained from FAS Media and Public Affairs Branch, 5922-S, Washington, D.C. 20250. Tel. (202) 447-7937.

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OILSEEDS AND PRODUCTS

Korea Permits Rapeseed Imports. Korea has announced that rapeseed imports for domestic use will be permitted for the first time, with a quota of 12,000 tons set for the second half of 1986. Rapeseed is a minor crop in Korea, with annual production totalling about 5,000 tons and declining. In the past, Korea allowed one crushing plant to process rapeseed, with the agreement that all products would be exported. Because of low profits, the plant stopped importing in 1983. Rapeseed oil will tend to displace soybean oil in the Korean domestic market and could hurt soybean imports. USDA estimates 1985/86 Korean soybean imports at 924,000 tons, with most of that expected to come from the United States.

DAIRY, LIVESTOCK AND POULTRY

Japanese Dairy Farmers Asked to Cut Milk Production. Producer cooperatives have asked Japan's dairy farmers to cut milk production by 3.1 percent to offset a decline in consumption of fluid milk. To achieve the reduction, the Ministry of Agriculture will pay farmers 25,000 yen (approximately \$150 at current exchange rates) for each cow removed from production. The plan calls for culling 30,000 dairy cows (3 percent of the number milked) in addition to those normally removed from production. Culling is to take place between June 1986 and March 1987. If the plan is fully carried out, Japan's beef production will increase about 2 percent.

Dominican Republic Increases Livestock Production. Livestock production in the Dominican Republic is projected to expand into 1987, according to the U.S. agricultural attache in Santo Domingo. Higher prices for beef and increased feed supplies have encouraged an expansion in beef production and cattle inventories. Beef production is up 8 percent this year to 65,000 tons and an additional 3,000-ton expansion is projected for 1987. Poultry production is estimated up 6 percent this year to 70,000 tons, with a further increase in 1987. A recovery in hog numbers is also projected for 1986 after a sharp drop during 1985 because of weak prices and reduced feed supplies.

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TOBACCO

Turkish Government Enacts Law Which May Increase U.S. Tobacco Exports. On May 27, Turkey's Grand National Assembly passed a bill which would abolish the country's tobacco monopoly. The provision to abolish the monopoly was a surprise addition to a bill which passed by a 2 to 1 margin. The Council of Ministers will decide how to privatize the monopoly and establish auction centers. Import of tobacco for cigarette manufacture will be allowed, but the import of cigarettes will not. The bill also calls for the establishment of an import surcharge above present tariffs on tobacco for cigarette manufacture with the money allocated for tobacco farmers' support and the domestic housing program. The bill also will encourage the expansion of domestic production of non-oriental tobacco and the establishment of auction centers. This bill should improve U.S. export opportunities for leaf tobacco to Turkey, as the private market will better cater to the consumers' taste for American-style cigarettes.

Hong Kong Cigarette Prices to Rise. On May 13, Hong Kong's two major cigarette companies announced retail price increases, ranging from five to seven percent, on several major cigarette brands. Increases are considered the result of rising manufacturing costs, which include higher duties on unmanufactured tobacco and inflation. In 1985, U.S. exports of unmanufactured tobacco and cigarettes to Hong Kong were valued at \$30.5 million and \$167 million, respectively. Of total imports, the United States accounts for 25 percent of Hong Kong's unmanufactured tobacco imports and 70 percent of total cigarette imports. The price increase is not expected to cause a shift from locally manufactured cigarette brands to imported brands but is expected to have some effect on total consumption.

Canadian Tobacco Industry Agrees on Production and Price Rates. On May 20, the Canadian Tobacco Manufacturers Council (CTMC) and the Ontario Flue-Cured Tobacco Growers Marketing Board (OFCTGMB) agreed on production and price schemes for the 1986 crop. The CTMC has established a guaranteed minimum price of Can\$4.06 per kg. for all Canadian flue-cured tobacco consumed domestically. For exported tobacco, a minimum price of Can\$2.64 per kg., unchanged from last year, was established. The CTMC will not provide an export incentive fund for 1986. Production in Ontario is set at 52,000 tons, about 30 percent lower than last year's 77,000 metric tons. This decrease will cause sharply lower income, despite the setup of an adjustment fund of Can\$12.3 million to bolster farmer income. These changes will likely reduce Canadian tobacco exports to the United States, which amounted to 7,683 tons in 1985.

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World Tobacco Production Down. World 1986 total unmanufactured tobacco production is forecast at 6.6 million tons, down 4 percent from last year and 5 percent below the 1982 production record of 6.9 million tons. The total unmanufactured tobacco crop in China, the world's largest producer, is forecast at 2.1 million tons, 7 percent below last year's record crop of 2.3 million tons. Despite efforts in recent years to curb output and improve tobacco quality, excess production and quality problems continue to plague the Chinese tobacco industry. To correct these problems, the Chinese government has introduced a new, more specific grading system which is a simplified version of the U.S. system. In the United States, total unmanufactured tobacco production is projected down 12 percent. A 6 percent decline in production area, sluggish domestic demand, and excess stocks are contributing to the lower projected output.

Other major tobacco-producing countries with smaller crop prospects include Canada, Brazil, Italy, Poland, the Philippines, Thailand, and Pakistan. With the exception of Poland and the Philippines, production in these countries is projected to be less due to weather-related problems and/or high stock levels. Lower yields are expected in Poland and a shift from tobacco to more profitable crops is occurring in the Philippines.

The 1986 world flue-cured tobacco crop is forecast at 3.5 million tons, 7 percent less than last year's crop. Production is forecast down 8 percent in China, the world's largest producer, mainly due to a 7 percent area decrease. The world's third largest producer, Brazil, also faces declining production due to drought. This year's Brazilian crop also has quality problems which could have an adverse impact on exports. Canada's production is forecast down 28 percent due to a reduced area planted caused by weak domestic and export demand and high stock levels. Other major flue-cured producers with smaller projected crops include the United States, the second largest flue-cured producer, India, the Philippines, Italy, and Pakistan.

World burley tobacco production in 1986 is projected to fall 4 percent from last year and total 669,000 tons. Production in the United States, the world's largest producer, is anticipated to be 8 percent less, mainly due to a 5 percent decline in area. Smaller crops are also forecast in Italy, the Philippines and Thailand.

World oriental tobacco production is forecast at 955,000 tons, up 3 percent from last year. In the Soviet Union, the world's largest producer, output is projected to be slightly above last year. Soviet farmers did not have to replant tobacco plants because of timely spring weather. This year's Soviet crop is expected to reach a near-record level due to increased inputs. Production in Turkey, the world's second largest producer, is forecast to increase 2 percent as the government continues to emphasize quality tobacco. Farmers are also being encouraged not to plant tobacco on low-yielding lands.

The 1986 world dark air/sun-cured tobacco crop is forecast at 1.08 million tons, 2 percent less than last year. In India, the world's largest producer, output is forecast up 4 percent from last year due to a corresponding area increase. In Indonesia, production is expected to be 5 percent greater than last year due to a slight increase in area. Output in China is expected to be in line with last year's level. However, estimates of production increases in these 3 countries are more than offset by estimates of sharp production decreases in Brazil, Pakistan and Poland.

World unmanufactured tobacco production for 1985 and 1986 by leaf type, is forecast as follows:

Leaf type	Revised	Forecast
	1985	1986
	----- 1000 Metric Tons -----	
Flue-cured	3,707.2	3,462
Burley	695.5	669
Oriental	925.0	955
Dark air/Sun-cured	1,097.7	1,080
Light air-cured	141.1	125
Dark air-cured, cigar	205.7	199
Dark fire-cured	76.0	66
TOTAL	6,850.2	6,556

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EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of June 3, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS
34. Tunisia Dairy Cattle	May 29, '86	4,000 head
33. Algeria Dairy Cattle	May 29, '86	5,000 head
32. Sri Lanka Wheat	May 16, '86	125,000
31. Saudia Arabia Barley	May 7, '86	500,000
30. Algeria Barley	April 17, '86	500,000
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head
26. Yemen Poultry Feed	Apr 14, '86	150,000
25. Yugoslavia Wheat	Apr 10, '86	200,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head
23. Syria Wheat	Apr 8, '86	700,000
22. Benin Wheat	Apr 7, '86	45,000
21. Algeria Table Eggs	Apr 4, '86	500 million
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head
19. Jordan Wheat	Mar 19, '86	75,000
18. Tunisia Wheat	Mar 18, '86	300,000
17. Algeria Wheat Flour	Feb 25, '86	100,000
16. Algeria Semolina	Feb 11, '86	250,000
15. Philippines Wheat	Jan 7, '86	150,000
		COMPLETE (152,400)
14. Zaire Wheat	Dec 27, '85	40,000
	May 15, '86	40,000
		Sold 20,000
13. Nigeria Barley Malt	Dec 10, '85	100,000
12. Iraq Wheat Flour	Dec 9, '85	150,000
11. Egypt Poultry	Nov 26, '85	8,000
	Mar 21, '86	15,000
		COMPLETE
10. Zaire Wheat Flour	Nov 18, '85	64,000
	May 15, '86	30,000
		Sold 45,000
9. Philippine Wheat Flour	Nov 15, '85	100,000
8. Jordan Rice	Nov 8, '85	40,000
7. Turkey Wheat	Oct 16, '85	500,000
		COMPLETE (506,600)
	May 8, '86	500,000
6. Morocco Wheat	Sept 30, '85	1,500,000
5. Yemen Wheat	Sept 6, '85	100,000
4. Yemen Wheat Flour	Aug 20, '85	50,000
	Apr 14, '86	100,000
3. Egypt Wheat	Jul 26, '85	500,000
	Oct 30, '85	500,000
		COMPLETE COMPLETE (512,500)
2. Egypt Wheat Flour	Jul 2, '85	600,000
1. Algeria Wheat	Jun 4, '85	1,000,000
	Apr 10, '86	1,000,000
		Sold 329,000 COMPLETE

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EXPORT ENHANCEMENT PROGRAM SUMMARY

Announced to Date	10,600,000 (grain equivalent)
	500 million table eggs
	23,000 tons frozen poultry
	38,000 head dairy cattle
Sold to Date	3,889,500 wheat
	726,800 flour, grain equivalent
	23,000 frozen poultry
	22,700 rice
Bonus	\$209.3 million at book value (1,464,600 tons)

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Selected International Prices

Item	:	June 3, 1986	:	Change from	:	A year
	:		:	a week ago	:	ago
ROTTERDAM PRICES 1/		\$ per MT		\$ per bu.		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		N.Q.		--		183.50
U.S. No. 2 DNS/NS: 14%....		154.00		4.19	-2.00	168.50
U.S. No. 2 S.R.W.		120.00		3.27	+2.50	139.00
U.S. No. 3 H.A.D.....		176.00		4.79	+6.00	174.00
Canadian No. 1 A: Durum...		N.Q.		--	--	182.00
Feed grains:						
U.S. No. 3 Yellow Corn....		119.00		3.02	-0-	129.00
Soybeans and meal:						
U.S. No. 2 Yellow.....		211.20		5.74	-2.50	227.00
Brazil 47/48% SoyaPellets		187.00		--	-3.00	136.50
U.S. 44% Soybean Meal....		179.50		--	-0.50	138.00
U.S. FARM PRICES 3/						
Wheat.....		92.58		2.52	-19.47	118.30
Barley.....		65.68		1.43	+5.97	81.30
Corn.....		94.09		2.39	-0.39	103.54
Sorghum.....		90.17		4.09 2/	-1.76	98.10
Broilers.....		1251.77		--	-76.50	1158.67
EC IMPORT LEVIES						
Wheat 5/.....		160.60		4.37	+0.95	80.95
Barley.....		154.70		3.37	+2.10	71.05
Corn.....		143.40		3.64	+2.45	63.60
Sorghum.....		150.80		3.83	+0.55	79.75
Broilers 4/ 6/ 8/.....		334.00		--	+2.00	163.00
EC INTERVENTION PRICES 7/ 9/						
Common wheat(feed quality)		191.60		5.21	+0.95	152.00
Bread wheat (min. quality)		203.45		5.54	+0.95	161.45
Barley and all						
other feed grains.....		191.60		--	-0.05	152.00
Broilers 4/ 6/.....		1,388.00		--	+8.00	1,040.00
EC EXPORT RESTITUTIONS (subsidies)						
Wheat		N.A.		--	--	29.95
Barley.....		N.A.		--	--	47.50
Broilers 4/ 6/ 8/.....		246.00		--	+1.00	96.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. N.A.=None authorized. N.Q.=Not quoted. Note: Basis June delivery.